


Government of the District of Columbia
Office of the Chief Financial Officer



Natwar M. Gandhi
Chief Financial Officer

MEMORANDUM

TO: The Honorable Phil Mendelson
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi
Chief Financial Officer 

DATE: November 29, 2012

SUBJECT: Fiscal Impact Statement – “Art in Public Spaces, Motion Picture and Television Production Funds Act of 2012”

REFERENCE: Bill 19-992 – Committee Print, shared with the Office of Revenue Analysis on November 27, 2012

Conclusion

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. The implementation of the bill is estimated to reduce the District’s local General Fund resources by \$20 million in FY 2013 and by \$80 million over the four-year financial plan period. The proposal will also increase special purpose funds by \$20 million in FY 2013 and \$80 million over the four-year plan period. However, because the special purpose funds can only be used for certain expenditures outlined in the bill, the net negative fiscal impact of the bill is \$20 million in FY 2013 and \$80 million over the four-year financial plan period.

Background

The bill requires the District to direct one percent of the District’s appropriated budget for all contracts (construction-related and non-construction-related contracts for goods and services) to two O-Type accounts: the Arts and Humanities Enterprise Fund (“Arts Fund”)¹ and the Film DC Economic Incentive Fund (“Film Fund”)². The Arts Fund would receive half of the funds to be used for the creation, installation, and maintenance of public art. The Film Fund would receive the other half of the funds and use them for purposes authorized by the Film DC Economic Incentive Act of 2006. The bill directs the Commission on the Arts and Humanities and the Director of the Office of Motion Picture and Television Development, respectively, to submit budgets and annual reports to

¹ Established pursuant to Section 6a of the Commission on the Arts and Humanities Act, effective October 21, 1975 (D.C. Law 1-22; D.C. Official Code § 39-205.01).

² Established pursuant to Section 2 of the Film DC Economic Incentive Act of 2006, effective March 14, 2007 (D.C. Law 16-290; D.C. Official Code § 39-501).

The Honorable Phil Mendelson

FIS: Bill 19-992, "Art in Public Spaces, Motion Picture and Television Production Funds Act of 2012,"

Committee Print, shared with the Office of Revenue Analysis on November 27, 2012

the Mayor and Council detailing how their respective funds are being used. It also includes various other directives to the Commission on the Arts and Humanities.

Financial Plan Impact

Funds are not sufficient in the FY 2013 through FY 2016 budget and financial plan to implement the bill. The implementation of the bill is estimated to reduce the District's local General Fund resources by \$20 million in FY 2013 and by \$80 million over the four-year financial plan period.

The District's appropriated budget details the level of services the District intends to provide and the amount of money it will spend to achieve that service level, including expenditures on contracted goods and services. Redirecting one percent of that budget to the two O-Type funds would reduce the District's ability to pay for services and, thus, would result in budget shortfalls. The fiscal impact is the amount required to make the contracting expenditures meet the planned government services on which the budget is based.

The District's contract budget varies from year to year, but during the last three fiscal years, the District spent approximately \$2 billion on purchasing goods and services. Transferring 1 percent of this amount from various agencies into the Arts and Film funds will have a negative fiscal impact of \$20 million. The two O-type accounts will increase by the same amount but the District would have to fill the gap in its local fund to maintain a balanced budget.

Estimated Fiscal Impact of Art in Public Spaces, Motion Picture and Television Production Funds Act of 2012 -- FY 2013-FY 2016					
	FY 2013	FY 2014	FY 2015	FY 2016	4 Year Total
Impact on Special Purpose Funds					
Funds Redirected to Arts Fund	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$40,000,000
Funds Redirected to Film Fund	\$10,000,000	\$10,000,000	\$10,000,000	\$10,000,000	\$40,000,000
Impact on Local General Fund (Net Fiscal Impact of the bill)					
Reduction in Agency Contracting budgets	(\$20,000,000)	(\$20,000,000)	(\$20,000,000)	(\$20,000,000)	(\$80,000,000)